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**SENATE BILL 5000**

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**State of Washington                      60th Legislature                      2007 Regular Session**

**By** Senators Zarelli, Benton, Parlette, Holmquist, Stevens, Swecker, Pflug, Delvin, McCaslin, Brandland, Schoesler, Honeyford, Hewitt, Roach and Sheldon

Read first time 01/08/2007. Referred to Committee on Ways & Means.

1            AN ACT Relating to a rainy day reserve fund; reenacting and  
2 amending RCW 43.84.092 and 43.135.045; adding a new section to chapter  
3 43.79 RCW; adding a new section to chapter 82.33 RCW; creating a new  
4 section; repealing RCW 43.33A.220 and 43.135.051; and providing a  
5 contingent effective date.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

7            NEW SECTION.    **Sec. 1.** A new section is added to chapter 43.79 RCW  
8 to read as follows:

9            (1) A rainy day reserve fund shall be established and maintained in  
10 the state treasury pursuant to Article VII, section . . . (2007 Senate  
11 Joint Resolution No. . . . ., S-0163/07).

12            (2) The state investment board has the full power to invest,  
13 reinvest, manage, contract, sell, or exchange investment moneys in the  
14 rainy day reserve fund. All investment and operating costs associated  
15 with the investment of money shall be paid pursuant to RCW 43.33A.160  
16 and 43.84.160. With the exception of these expenses, the earnings from  
17 the investment of the money shall be deposited into the education  
18 legacy trust account, but only to the extent that the investment  
19 earnings exceed any investment losses experienced by the rainy day

1 reserve fund in previous fiscal periods. All investments made by the  
2 state investment board shall be made with the exercise of that degree  
3 of judgment and care pursuant to RCW 43.33A.140 and the investment  
4 policies established by the state investment board. As deemed  
5 appropriate by the state investment board, moneys in the fund may be  
6 commingled for investment with other funds subject to investment by the  
7 board.

8 (3) When the balance in the rainy day reserve fund equals more than  
9 ten percent of the estimated general state revenues in the prior fiscal  
10 year, the legislature may, at any time for any fiscal year, by the  
11 favorable of a majority of the members elected to each house, withdraw  
12 and appropriate amounts in the fund to the extent that the balance of  
13 the fund exceeds ten percent. If, as determined by the state actuary,  
14 unfunded liabilities exist in state retirement systems administered by  
15 the department of retirement systems, such appropriations may be made  
16 solely for the purpose of funding the liabilities.

17 NEW SECTION. **Sec. 2.** A new section is added to chapter 82.33 RCW  
18 to read as follows:

19 The economic and revenue forecast council shall perform the state  
20 employment growth and general state revenue forecasts and estimates  
21 required by Article VII, section . . . (2007 Senate Joint Resolution  
22 No. . . . ., S-0163/07).

23 **Sec. 3.** RCW 43.84.092 and 2006 c 337 s 11, 2006 c 311 s 23, 2006  
24 c 171 s 10, 2006 c 56 s 10, and 2006 c 6 s 8 are each reenacted and  
25 amended to read as follows:

26 (1) All earnings of investments of surplus balances in the state  
27 treasury shall be deposited to the treasury income account, which  
28 account is hereby established in the state treasury.

29 (2) The treasury income account shall be utilized to pay or receive  
30 funds associated with federal programs as required by the federal cash  
31 management improvement act of 1990. The treasury income account is  
32 subject in all respects to chapter 43.88 RCW, but no appropriation is  
33 required for refunds or allocations of interest earnings required by  
34 the cash management improvement act. Refunds of interest to the  
35 federal treasury required under the cash management improvement act  
36 fall under RCW 43.88.180 and shall not require appropriation. The

1 office of financial management shall determine the amounts due to or  
2 from the federal government pursuant to the cash management improvement  
3 act. The office of financial management may direct transfers of funds  
4 between accounts as deemed necessary to implement the provisions of the  
5 cash management improvement act, and this subsection. Refunds or  
6 allocations shall occur prior to the distributions of earnings set  
7 forth in subsection (4) of this section.

8 (3) Except for the provisions of RCW 43.84.160, the treasury income  
9 account may be utilized for the payment of purchased banking services  
10 on behalf of treasury funds including, but not limited to, depository,  
11 safekeeping, and disbursement functions for the state treasury and  
12 affected state agencies. The treasury income account is subject in all  
13 respects to chapter 43.88 RCW, but no appropriation is required for  
14 payments to financial institutions. Payments shall occur prior to  
15 distribution of earnings set forth in subsection (4) of this section.

16 (4) Monthly, the state treasurer shall distribute the earnings  
17 credited to the treasury income account. The state treasurer shall  
18 credit the general fund with all the earnings credited to the treasury  
19 income account except:

20 (a) The following accounts and funds shall receive their  
21 proportionate share of earnings based upon each account's and fund's  
22 average daily balance for the period: The capitol building  
23 construction account, the Cedar River channel construction and  
24 operation account, the Central Washington University capital projects  
25 account, the charitable, educational, penal and reformatory  
26 institutions account, the Columbia river basin water supply development  
27 account, the common school construction fund, the county criminal  
28 justice assistance account, the county sales and use tax equalization  
29 account, the data processing building construction account, the  
30 deferred compensation administrative account, the deferred compensation  
31 principal account, the department of retirement systems expense  
32 account, the developmental disabilities community trust account, the  
33 drinking water assistance account, the drinking water assistance  
34 administrative account, the drinking water assistance repayment  
35 account, the Eastern Washington University capital projects account,  
36 the education construction fund, the education legacy trust account,  
37 the election account, (~~the emergency reserve fund,~~) the energy  
38 freedom account, The Evergreen State College capital projects account,

1 the federal forest revolving account, the freight mobility investment  
2 account, the freight mobility multimodal account, the health services  
3 account, the public health services account, the health system capacity  
4 account, the personal health services account, the state higher  
5 education construction account, the higher education construction  
6 account, the highway infrastructure account, the high-occupancy toll  
7 lanes operations account, the industrial insurance premium refund  
8 account, the judges' retirement account, the judicial retirement  
9 administrative account, the judicial retirement principal account, the  
10 local leasehold excise tax account, the local real estate excise tax  
11 account, the local sales and use tax account, the medical aid account,  
12 the mobile home park relocation fund, the multimodal transportation  
13 account, the municipal criminal justice assistance account, the  
14 municipal sales and use tax equalization account, the natural resources  
15 deposit account, the oyster reserve land account, the pension funding  
16 stabilization account, the perpetual surveillance and maintenance  
17 account, the public employees' retirement system plan 1 account, the  
18 public employees' retirement system combined plan 2 and plan 3 account,  
19 the public facilities construction loan revolving account beginning  
20 July 1, 2004, the public health supplemental account, the public works  
21 assistance account, the Puyallup tribal settlement account, the rainy  
22 day reserve fund, the real estate appraiser commission account, the  
23 regional mobility grant program account, the resource management cost  
24 account, the rural Washington loan fund, the site closure account, the  
25 small city pavement and sidewalk account, the special wildlife account,  
26 the state employees' insurance account, the state employees' insurance  
27 reserve account, the state investment board expense account, the state  
28 investment board commingled trust fund accounts, the supplemental  
29 pension account, the Tacoma Narrows toll bridge account, the teachers'  
30 retirement system plan 1 account, the teachers' retirement system  
31 combined plan 2 and plan 3 account, the tobacco prevention and control  
32 account, the tobacco settlement account, the transportation  
33 infrastructure account, the transportation partnership account, the  
34 tuition recovery trust fund, the University of Washington bond  
35 retirement fund, the University of Washington building account, the  
36 volunteer fire fighters' and reserve officers' relief and pension  
37 principal fund, the volunteer fire fighters' and reserve officers'  
38 administrative fund, the Washington fruit express account, the

1 Washington judicial retirement system account, the Washington law  
2 enforcement officers' and fire fighters' system plan 1 retirement  
3 account, the Washington law enforcement officers' and fire fighters'  
4 system plan 2 retirement account, the Washington public safety  
5 employees' plan 2 retirement account, the Washington school employees'  
6 retirement system combined plan 2 and 3 account, the Washington state  
7 health insurance pool account, the Washington state patrol retirement  
8 account, the Washington State University building account, the  
9 Washington State University bond retirement fund, the water pollution  
10 control revolving fund, and the Western Washington University capital  
11 projects account. Earnings derived from investing balances of the  
12 agricultural permanent fund, the normal school permanent fund, the  
13 permanent common school fund, the scientific permanent fund, and the  
14 state university permanent fund shall be allocated to their respective  
15 beneficiary accounts. All earnings to be distributed under this  
16 subsection (4)(a) shall first be reduced by the allocation to the state  
17 treasurer's service fund pursuant to RCW 43.08.190.

18 (b) The following accounts and funds shall receive eighty percent  
19 of their proportionate share of earnings based upon each account's or  
20 fund's average daily balance for the period: The aeronautics account,  
21 the aircraft search and rescue account, the county arterial  
22 preservation account, the department of licensing services account, the  
23 essential rail assistance account, the ferry bond retirement fund, the  
24 grade crossing protective fund, the high capacity transportation  
25 account, the highway bond retirement fund, the highway safety account,  
26 the motor vehicle fund, the motorcycle safety education account, the  
27 pilotage account, the public transportation systems account, the Puget  
28 Sound capital construction account, the Puget Sound ferry operations  
29 account, the recreational vehicle account, the rural arterial trust  
30 account, the safety and education account, the special category C  
31 account, the state patrol highway account, the transportation 2003  
32 account (nickel account), the transportation equipment fund, the  
33 transportation fund, the transportation improvement account, the  
34 transportation improvement board bond retirement account, and the urban  
35 arterial trust account.

36 (5) In conformance with Article II, section 37 of the state  
37 Constitution, no treasury accounts or funds shall be allocated earnings  
38 without the specific affirmative directive of this section.

1       **Sec. 4.** RCW 43.135.045 and 2005 c 518 s 931, 2005 c 314 s 401, and  
2 205 c 72 s 6 are each reenacted and amended to read as follows:

3       (1) ~~((The emergency reserve fund is established in the state  
4 treasury. During each fiscal year, the state treasurer shall transfer  
5 an amount from the state general fund to the emergency reserve fund.  
6 The amount transferred shall equal the amount by which total state  
7 revenue for the general fund and related funds exceeds the state  
8 expenditure limit, multiplied by the percentage that general fund  
9 expenditures are of total expenditures from the general fund and  
10 related funds. Transfers shall be made at the end of each fiscal  
11 quarter based on projections of state revenues, expenditures, and the  
12 state expenditure limit. The treasurer shall make transfers between  
13 these accounts as necessary to reconcile actual annual revenues and the  
14 expenditure limit for fiscal year 2000 and thereafter.~~

15       (2) ~~The legislature may appropriate moneys from the emergency  
16 reserve fund only with approval of at least two thirds of the members  
17 of each house of the legislature, and then only if the appropriation  
18 does not cause total expenditures to exceed the state expenditure limit  
19 under this chapter.~~

20       (3) ~~The emergency reserve fund balance shall not exceed five  
21 percent of annual general fund state revenues as projected by the  
22 official state revenue forecast. Any balance in excess of five percent  
23 shall be transferred on a quarterly basis by the state treasurer as  
24 follows: Seventy five percent to)) The student achievement fund is  
25 hereby created in the state treasury ((and twenty five percent to the  
26 general fund balance. The treasurer shall make transfers between these  
27 accounts as necessary to reconcile actual annual revenues for fiscal  
28 year 2000 and thereafter. When per student state funding for the  
29 maintenance and operation of K-12 education meets a level of no less  
30 than ninety percent of the national average of total funding from all  
31 sources per student as determined by the most recent published data  
32 from the national center for education statistics of the United States  
33 department of education, as calculated by the office of financial  
34 management, further deposits to the student achievement fund shall be  
35 required only to the extent necessary to maintain the ninety percent  
36 level. Remaining funds are part of the general fund balance and these  
37 funds are subject to the expenditure limits of this chapter)).~~

